

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name OREGON TOWNSHIP	County LAPEER
Audit Date 6/30/2004	Opinion Date 8/16/2004	Date Accountant Report Submitted to State: 11/4/2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | | |
|---|--|---|
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

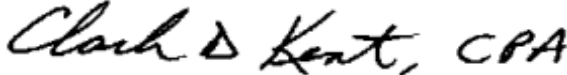
We have enclosed the following:

The letter of comments and recommendations.

Reports on individual federal financial assistance programs (program audits).

Single Audit Reports (ASLGU).

Enclosed	To Be Forwarded	Not Required
X		
		X
		X

Certified Public Accountant (Firm Name) BROWN & KENT, PC			
Street Address 951 S MAIN ST, SUITE #3		City LAPEER	State MI
Accountant Signature 		ZIP 48446	Date 11/4/2004

**OREGON TOWNSHIP
LAPEER, MICHIGAN**

**FINANCIAL REPORT
WITH ADDITIONAL INFORMATION
FOR YEAR ENDED JUNE 30, 2004**

OREGON TOWNSHIP

TABLE OF CONTENTS

	<u>PAGE NUMBER</u>
INDEPENDENT AUDITORS' REPORT	I – II
MANAGEMENT'S DISCUSSION AND ANALYSIS	III – VI
BASIC FINANCIAL STATEMENTS	
STATEMENT OF NET ASSETS	1
STATEMENT OF ACTIVITIES	2
BALANCE SHEET – GOVERNMENTAL FUNDS	3 – 4
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS	5 – 6
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES – AGENCY FUNDS	7
NOTES TO THE FINANCIAL STATEMENTS	8 – 18
REQUIRED SUPPLEMENTAL INFORMATION	
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND	19 – 24
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL – CEMETERY OPERATING FUND	25
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL – PUBLIC IMPROVEMENT FUND	26
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION	27
OTHER SUPPLEMENTAL INFORMATION	
COMBINING BALANCE SHEET – NON-MAJOR GOVERNMENTAL FUNDS	28
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – NON-MAJOR GOVERNMENTAL FUNDS	29

BROWN & KENT, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

951 S. MAIN STREET, SUITE #3

LAPEER, MICHIGAN 48446

(810) 664-4470

FAX (810) 664-3601

INDEPENDENT AUDITORS' REPORT

To the Board Members
Oregon Township
Lapeer, MI 48446

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Oregon Township, Lapeer, Michigan, as of and for the year ended June 30, 2004, which collectively comprise the Township's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Oregon Township, Lapeer, Michigan, at June 30, 2004, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1-A, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of June 30, 2004.

Management's Discussion and Analysis and the budgetary comparison information are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Oregon Township's basic financial statements. The accompanying other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Brown & Kent, P.C.

Certified Public Accountants

August 16, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

**OREGON TOWNSHIP
LAPEER COUNTY
LAPEER, MICHIGAN**

Management's Discussion and Analysis

As management of Oregon Township, Lapeer County, Lapeer, Michigan (the "Township"), we offer readers of the Township's financial statements this narrative overview and analysis of the Township's financial activities for the fiscal year ended June 30, 2004. We encourage readers to consider the information presented herein in conjunction with the Township's financial statements.

FINANCIAL HIGHLIGHTS

- The assets of Oregon Township exceeded its liabilities at the end of the fiscal year by \$763,104. Of this amount, \$478,034 may be used to meet the Township's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$513,687, an increase of \$92,063 in comparison with the prior year.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$341,585.
- The Township's total debt decreased \$25,480, during the current fiscal year. The key factor in this was the payment of \$15,000 on the special assessment bonds for Conifer Drive.

USING THIS ANNUAL REPORT

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. It also contains other supplemental information to provide a greater detail of the data presented in the basic financial statements.

Government-wide Financial Statements

Government-wide financial statements provide information about the activities of the Township, presenting a broad long-term overview of the Township's finances, in a manner similar to a private-sector business. This longer-term view uses the accrual basis of accounting, so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The Statement of Net Assets presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as useful indicators of whether the financial position of the Township is improving or deteriorating.

The Statement of Activities presents information showing how the Township's net assets changed during the year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

The Statement of Net Assets and the Statement of Activities report the governmental activities for the Township, which encompasses all of the Township's services, including general government, public safety, public works, and cemetery operations. Property taxes and unrestricted state-shared revenue finance most of these activities.

Reporting the Township's Most Significant Funds – Fund Financial Statements

The Township's fund financial statements provide detailed information about the most significant funds, not the Township as a whole.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Some funds are required to be established by State law.

These fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds.

All of the funds of the Township can be divided into two categories:

- (1) Governmental Funds – Governmental funds are used to account for essentially the same functions as governmental activities in the government-wide financial statements.
- (2) Fiduciary Funds – The fiduciary fund statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside the government. Fiduciary funds are not reflected in the government-wide financial statements, because the resources of those funds are not available to support the Township's own programs.

Notes to the Financial Statements

The notes that follow the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

THE TOWNSHIP AS A WHOLE

As noted earlier, net assets may serve over time as a useful indicator of the government's financial position.

The following table shows, in a condensed format, the net assets as of June 30, 2004. Prior year information is not available, because this is the first year of the implementation of GASB Statement No. 34. Comparative data will be presented in future years.

Assets	
Current Assets	\$ 519,761
Capital Assets – Net of Depreciation	264,417
Total Assets	<u>784,178</u>
Liabilities	
Current Liabilities	21,074
Total Liabilities	<u>21,074</u>
Net Assets	
Invested in Capital Assets	264,417
Restricted	20,653
Unrestricted	478,034
Total Net Assets	<u>\$ 763,104</u>

The following table shows the changes of the net assets during the fiscal year ending June 30, 2004. Prior year information is not available, because this is the first year of the implementation of GASB No. 34. Comparative data will be presented in future years.

Revenue	
Program Revenues	
Charges for Services	\$ 75,639
General Revenue	
Property Taxes and Collection Fees	270,614
State-shared Revenue	445,070
Franchise Fees	12,627
Other Revenue	15,088
	<hr/>
Total Revenue	819,038
Program Expenses	
General Government	337,444
Public Safety	195,827
Public Works	168,487
Cemetery	18,076
	<hr/>
Total Program Expenses	719,834
Change in Net Assets	<hr/> <hr/> \$ 99,204

The Township's total governmental revenues, as reported in the Statement of Activities, totaled approximately \$819,000, down from the prior fiscal year. There were significant decreases in state-shared revenue and fire fines. Total program expenses, as reported in the Statement of Activities, totaled approximately \$720,000. This was a small increase over the prior fiscal year. There were significant increases in the cost of fire protection, insurance and bonds, and transportation.

THE TOWNSHIP'S FUNDS

The Township uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the Township is being accountable for the resources taxpayers and others provide to it and may provide more insight into the Township's overall financial health. The analysis of the Township's major funds begins on page 3, following the government-wide financial statements.

The Township completed this year with a combined fund balance of \$513,687, an increase of \$92,063 from last year. The General Fund's fund balance decreased \$53,260, due in large part to operating transfers to the Cemetery Fund and the Public Improvement Fund.

The General Fund accounts for most of the Township's government services. The most significant are fire protection, law enforcement, assessing, and roads. Management of these services is not supported by special millages, but through the general revenues of property taxes and state-shared revenue.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2004, the Township had \$264,417 invested in broad range of capital assets, including land, buildings, and equipment. This amount represents a net decrease of \$133,657.

Land and Improvements	\$ 125,618
Buildings and Improvements	287,019
Equipment	<u>60,748</u>
Total Capital Assets	473,385
Less Accumulated Depreciation	<u>208,968</u>
Net Capital Assets	<u>\$ 264,417</u>

The major additions this year include a new phone system and upgrades to the Township's computers. The net decrease is due to depreciation costs, the sale of all of the Township's police equipment to the Lapeer County Sheriff's Department, and disposal/deletion of obsolete assets.

Debt Administration

The Township's only Long-term Debt is for the Special Assessment Bonds that were issued for Conifer Drive. The Township paid \$15,000 in principal on these bonds during the fiscal year ending June 30, 2004. The remaining \$15,000 is due during the fiscal year ending June 30, 2005. See note 8 of the financial statements for addition information.

GENERAL FUND BUDGETARY HIGHLIGHTS

The difference between the original budget and the final amended budget was an increase in appropriations of \$52,408. While expenditures showed a decrease in appropriations of \$72,592, operating transfers were increased \$125,000 for the creation of a Public Improvement Fund.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Because of the impact of Proposal A and the Heedlee Amendment, the Township must continue to watch the budget very closely. The most significant of these events during the fiscal year are the drastic cuts in State Revenue Sharing. These revenues decreased due to the downturn in the economy and State cutbacks during 2003 and 2004.

Due to the drastic cuts in the statutory portion of Revenue Sharing in the 2003-2004 budget, we can look for the elimination of the statutory portion of Revenue Sharing in the 2004-2005 budget. In 2003-2004, the statutory portion was \$19,627 and the projected amount for 2004-2005 is \$2,282.

During the current fiscal year, unreserved fund balance in the general fund decreased to \$341,585.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is intended to provide our residents, taxpayers, customers, and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Township office at 2525 Marathon Road, Lapeer, MI 48446.

BASIC FINANCIAL STATEMENTS

**OREGON TOWNSHIP
STATEMENT OF NET ASSETS
JUNE 30, 2004**

	<u>Governmental Activities</u>
ASSETS	
Current Assets:	
Cash in Bank:	
Demand Deposits	\$ 327,189
Savings Deposits	71,958
Investments	95,102
Petty Cash	184
Receivables:	
Accounts Receivable	2,187
Accounts Receivable - Fire Fees	20,741
Prepaid Expenses	<u>2,400</u>
Total Current Assets	<u>519,761</u>
Capital Assets:	
Land and Improvements, Net of Depreciation	53,729
Building and Improvements, Net of Depreciation	184,956
Equipment, Net of Depreciation	<u>25,732</u>
Total Capital Assets	<u>264,417</u>
TOTAL ASSETS	<u><u>\$ 784,178</u></u>
 LIABILITIES	
Accounts Payable	\$ 6,074
Current Portion of Long-term Debt	<u>15,000</u>
TOTAL LIABILITIES	<u>21,074</u>
 NET ASSETS	
Invested in Capital Assets	264,417
Restricted for:	
Permanent Fund - Perpetual Care	20,653
Unrestricted	<u>478,034</u>
TOTAL NET ASSETS	<u>763,104</u>
 TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 784,178</u></u>

The accompanying notes are an integral part of the financial statements.

**OREGON TOWNSHIP
STATEMENT OF ACTIVITIES
FOR YEAR ENDED JUNE 30, 2004**

	Functions / Programs				Totals
	General Government	Public Safety	Public Works	Cemetery	
EXPENSES					
Salaries and Benefits	\$ 182,798	\$ 36,963	\$ -	\$ -	\$ 219,761
Employment Taxes	3,403	530	-	-	3,933
Professional Services	54,473	150,341	-	11,012	215,826
Materials and Supplies	18,979	481	-	-	19,460
Repairs and Maintenance	10,911	-	-	-	10,911
Roads	-	-	165,066	-	165,066
Street Lights	-	-	1,027	-	1,027
Other Program Expenses	50,914	4,184	2,394	3,262	60,754
Interest on Debt	1,350	-	-	-	1,350
Depreciation	14,616	3,328	-	3,802	21,746
TOTAL EXPENSES	337,444	195,827	168,487	18,076	719,834
PROGRAM REVENUES					
Charges for Services	31,680	25,289	9,495	9,175	75,639
Operating Grants and Contributions	-	-	-	-	-
Capital Grants and Contributions	-	-	-	-	-
NET PROGRAM (EXPENSES) REVENUES	(305,764)	(170,538)	(158,992)	(8,901)	(644,195)
GENERAL REVENUES					
Property Taxes					232,342
Collection Fees					38,272
State Shared Revenue					445,070
Interest Income					4,409
Cable TV Franchise Fee					12,627
Hall Rental					3,925
Sale of Capital Assets					377
Miscellaneous					6,377
TOTAL GENERAL REVENUES					743,399
CHANGE IN NET ASSETS					99,204
NET ASSETS - BEGINNING					663,900
NET ASSETS - ENDING					\$ 763,104

The accompanying notes are an integral part of the financial statements.

**OREGON TOWNSHIP
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004**

	General Fund	Cemetery Operating Fund	Public Improvement Fund	Other Governmental Funds
ASSETS				
Cash in Bank:				
Demand Deposits	\$ 295,486	\$ 31,703	\$ -	\$ -
Savings Deposits	21,210	-	50,095	653
Investments	-	-	75,000	20,102
Petty Cash	184	-	-	-
Due from Other Funds	5,165	102	-	-
Accounts Receivable:				
Accounts Receivable	2,187	-	-	-
Accounts Receivable - Fire Runs	20,741	-	-	-
Prepaid Expenses	2,400	-	-	-
TOTAL ASSETS	<u><u>\$ 347,373</u></u>	<u><u>\$ 31,805</u></u>	<u><u>\$ 125,095</u></u>	<u><u>\$ 20,755</u></u>
LIABILITIES				
Accounts Payable	\$ 5,788	\$ 286	\$ -	\$ -
Due to Other Funds	-	5,165	-	102
TOTAL LIABILITIES	<u>5,788</u>	<u>5,451</u>	<u>-</u>	<u>102</u>
FUND EQUITY				
Fund Balance				
Unreserved - Undesignated	<u>341,585</u>	<u>26,354</u>	<u>125,095</u>	<u>20,653</u>
TOTAL FUND EQUITY	<u>341,585</u>	<u>26,354</u>	<u>125,095</u>	<u>20,653</u>
TOTAL LIABILITIES AND FUND EQUITY	<u><u>\$ 347,373</u></u>	<u><u>\$ 31,805</u></u>	<u><u>\$ 125,095</u></u>	<u><u>\$ 20,755</u></u>

The accompanying notes are an integral part of the financial statements.

Total Governmental Funds	Reconciliation of Total Governmental Funds Balances to Net Assets of Governmental Activities	
\$ 327,189	Total Governmental Funds Balances	\$ 513,687
71,958	Amounts reported for Governmental Activities in the Statement of Net Assets are different because:	
95,102		
184		
5,267		
2,187		
20,741	Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(15,000)
2,400		
<u>\$ 525,028</u>	Capital Assets used in Governmental Activities are not financial resources and therefore are not reported in the funds.	<u>264,417</u>
\$ 6,074		
5,267	Net Assets of Governmental Activities	<u>\$ 763,104</u>
<u>11,341</u>		
<u>513,687</u>		
<u>513,687</u>		
<u>\$ 525,028</u>		

OREGON TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR YEAR ENDED JUNE 30, 2004

	General Fund	Cemetery Operating Fund	Public Improvement Fund	Other Governmental Funds
REVENUES				
Taxes	\$ 280,109	\$ -	\$ -	\$ -
Licenses and Permits	19,341	-	-	-
Intra-governmental	445,070	-	-	-
Charges for Services	35,360	9,175	-	-
Fines and Forfeits	2,268	-	-	-
Sale of Capital Assets	4,595	-	-	-
Interest	3,987	152	95	175
Miscellaneous	22,929	-	-	-
TOTAL REVENUES	<u>813,659</u>	<u>9,327</u>	<u>95</u>	<u>175</u>
EXPENDITURES				
General Government	340,610	-	-	-
Public Safety	192,499	-	-	-
Public Works	167,460	-	-	-
Cemetery	-	14,274	-	-
Debt Services:				
Principal Retirement	15,000	-	-	-
Interest	1,350	-	-	-
TOTAL EXPENDITURES	<u>716,919</u>	<u>14,274</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>96,740</u>	<u>(4,947)</u>	<u>95</u>	<u>175</u>
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	-	25,175	125,000	-
Operating Transfers Out	(150,000)	-	-	(175)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(150,000)</u>	<u>25,175</u>	<u>125,000</u>	<u>(175)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(53,260)	20,228	125,095	-
FUND BALANCE - JULY 1, 2003	<u>394,845</u>	<u>6,126</u>	<u>-</u>	<u>20,653</u>
FUND BALANCE - JUNE 30, 2004	<u>\$ 341,585</u>	<u>\$ 26,354</u>	<u>\$ 125,095</u>	<u>\$ 20,653</u>

The accompanying notes are an integral part of the financial statements.

Total Governmental Funds	Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	
\$ 280,109	Net change in fund balance -	
19,341	Total Governmental Funds	\$ 92,063
445,070		
44,535	Amounts reported for Governmental Activities	
2,268	in the Statement of Activities are different	
4,595	because:	
4,409		
22,929	Repayment of principle of Long-term Debt is	
	reported as an expenditure in the Governmental	
823,256	Funds, but the repayment reduces Long-term	
	Debt in the Statement of Net Assets.	15,000
340,610		
192,499	Government Funds report capital outlays as	
167,460	expenditures. In the Statement of Activities	
14,274	the cost of those assets is allocated over their	
	estimated useful lives as depreciation expense.	
15,000	This is the amount by which depreciation	
1,350	exceeded capital outlays in the current period.	(3,641)
731,193	Governmental Funds report the proceeds from	
	the sale of Capital Assets. In the Statement	
92,063	of Activities only the gain on the sale of these	
	assets is reported. This is the amount by	
	which the proceeds exceeded the gain in	
	the current period.	(4,218)
(150,175)	Change in Net Assets of Governmental Activities	\$ 99,204
150,175		
-		
92,063		
421,624		
\$ 513,687		

OREGON TOWNSHIP
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2004

	<u>Trust & Agency Fund</u>	<u>Tax Collection Fund</u>	<u>Total Agency Funds</u>
ASSETS			
Demand Deposits	\$ 12,461	\$ -	\$ 12,461
TOTAL ASSETS	<u>\$ 12,461</u>	<u>\$ -</u>	<u>\$ 12,461</u>
LIABILITIES			
Due to Others	\$ 12,461	\$ -	\$ 12,461
TOTAL LIABILITIES	<u>\$ 12,461</u>	<u>\$ -</u>	<u>\$ 12,461</u>

The accompanying notes are an integral part of the financial statements

NOTES TO THE FINANCIAL STATEMENTS

**OREGON TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2004**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of Oregon Township (the "Township"), conform to accounting principles generally accepted in the United States of America applicable to state and local governments. The more significant accounting policies of the Township are described below.

A. IMPLEMENTATION OF NEW ACCOUNTING PRINCIPLES

In the fiscal year 2004, the Township adopted two new statements of financial accounting standards issued by the Governmental Accounting Standards Board (GASB):

- Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments.*
- Statement No. 37 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus.*

Statement No. 34 (as amended by Statement No. 37) represents a very significant change in the financial reporting model used by state and local governments.

Statement No. 34 requires government-wide financial statements to be prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements do not provide information by fund or account group, but distinguish between the Township's governmental activities, business-type activities, and activities of its discretely presented component units on the statement of net assets and statement of activities. Significantly, the Township's statement of net assets includes both non-current assets and non-current liabilities of the Township, which were previously recorded in the General Fixed Assets Account Group and the General Long-term Debt Account Group.

Statement No. 34 also requires certain required supplementary information in the form of Management's Discussion and Analysis, which includes an analytical overview of the Township's financial activities. In addition, a budgetary comparison statement is presented that compares the adopted and modified General Fund budget with actual results.

Statement No. 37 amends GASB Statements No. 21 and No. 34. The amendments to Statement 21 are necessary, because of the changes to the fiduciary fund structure required by Statement 34. Generally, escheat property that was reported in an expendable trust fund in the previous model should be reported in a private purpose trust fund under Statement 34. Additionally, the amendments either, (1) clarify certain provisions that, in retrospect, may not be sufficiently clear for consistent applications, or (2) modify other provisions that the GASB Board believes may have unintended consequences in some circumstances. This statement became effective for the Township in fiscal year 2004.

The above Statements did not affect the Fund Balance of the Township.

**OREGON TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2004**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. REPORTING ENTITY

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that financial statements are not misleading. The primary government of the Township consists of all funds, departments, boards, and agencies that are not legally separate from the Township. For the Township, this includes providing police protection, fire services, road maintenance and repairs, cemeteries, and planning and zoning. The Board of Trustees and the Township Administrator have direct responsibility for these activities.

Component units are legally separate organizations for which the Township is financially accountable. The Township is financially accountable for an organization if the Township appoints a voting majority or the organization's governing board; and (1) the Township is able to significantly influence the programs or services performed or provided by the organization, or (2) the Township is legally entitled to or can otherwise access the organization's resources; the Township is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Township is obligated for the debt of the organizations. Component units may also include organizations for which the Township authorizes the issuance of debt or the levying of taxes, or determines the budget.

Based on the aforementioned criteria, Oregon Township has no component units.

C. BASIS OF PRESENTATION

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements (the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the Township. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Township has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include; (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given program; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

FUND FINANCIAL STATEMENTS

The Township segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

**OREGON TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2004**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

C. BASIS OF PRESENTATION (Continued)

FUND FINANCIAL STATEMENTS (Continued)

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses, and balance of current financial resources. The Township has presented the following major governmental funds.

General Fund – The General Fund is the general operating fund of the Township. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges, and capital improvement costs that are not paid through other funds are paid from the General Fund.

Public Improvement Fund – The Public Improvement Fund is used to set aside monies for the future improvements to the Township. When items are constructed money is moved from this fund to the General Fund and expenditures are accounted for there.

Cemetery Operating Fund – The Cemetery Operating Fund is used to account for the revenues and expenditures of operating the cemetery.

Additionally, the Township has two agency fiduciary funds as follows:

Trust and Agency Fund – This fund is used to account for the collection and disbursement of performance and other deposits payable.

Tax Collection Fund – This fund is used to account for the collection and disbursement of property taxes assessed within the Township.

D. MEASUREMENT FOCUS/BASIS OF ACCOUNTING

Measurement focus refers to what is being measured, basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

**OREGON TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2004**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. MEASUREMENT FOCUS/BASIS OF ACCOUNTING (Continued)

The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for service, interest income, and intergovernmental revenues. Sales taxes collected and held by the State at year-end on behalf of the Township are also recognized as revenue. All other Governmental Fund Type revenues are recognized when received.

E. BUDGETS AND BUDGETARY ACCOUNTING

The Township Board follows these procedures in establishing the budgetary data reflected in the financial statements:

- (1) Prior to the beginning of the fiscal year, the Board proposes an operating budget for each budgetary fund. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year and actual data for the two preceding years. State statute requires that the budget be submitted in summary form. Also, more detailed line item budgets are included for administrative control.
- (2) A public hearing is conducted to obtain taxpayer comment.
- (3) The budgets are adopted by a majority vote of the Township Board.
- (4) Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds.
- (5) Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

Amendments to the Budget are approved by the Township Board, as necessary.

F. CASH EQUIVALENTS

The Township considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

G. INVESTMENTS

All investments are recorded at fair value based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

H. INTERFUND TRANSACTIONS

Legally authorized transfers are treated as interfund transfers and are included in the results of operations.

**OREGON TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2004**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. USE OF ESTIMATES

The preparation of basic financial statements in conformance with Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results may differ from those estimates.

J. CAPITAL ASSETS

Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated Assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant, and equipment.

Assets capitalized have an original cost of \$500 or more for equipment and \$5,000 or more for non-equipment, and over three years of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings and Improvements	5-50 years
Equipment	5-20 years
Land Improvements	15-20 years

K. NET ASSETS

Net assets represents the difference between assets and liabilities. Net assets invested in capital assets consists of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Township or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

L. INTERFUND RECEIVABLES AND PAYABLES

Short-term amounts owed between funds are classified as "Due to/from other funds."

NOTE 2 – CASH AND EQUIVALENTS AND INVESTMENTS

All accounts are in the name of the Township and a specific fund or common account. They are recorded in the Township records at cost. Interest is recorded when the deposits mature or is credited to the applicable account.

**OREGON TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2004**

NOTE 2 – CASH AND EQUIVALENTS AND INVESTMENTS (Continued)

STATUTORY AUTHORITY

Act 217, PA 1982, authorizes the Township to deposit and invest in:

- (1) Bonds and other direct obligations of the United States or its agencies,
- (2) Certificates of deposits, savings accounts, deposit accounts, or depository receipts of federally insured banks, insured savings and loan associations, or credit unions insured by the national credit union administration that are eligible to be a depository of surplus money belonging to the State under Section 5 or 6 of Act 105, PA 1855, as amended (MCL 21.145 and 21.146), and
- (3) Mutual funds composed of investments, which are legal for direct investment of local government.

CASH AND EQUIVALENTS

A summary of cash and equivalents as of June 30, 2004 follows:

	Carrying Value	Bank Balance	Covered By FDIC Insurance
Cash			
Demand Deposits	\$ 339,650	\$ 183,779	\$ 100,000
Savings Deposits	71,958	66,881	50,848
Petty Cash	184	-	-
Total Cash	<u>411,792</u>	<u>250,660</u>	<u>150,848</u>
Certificates of Deposit	<u>95,102</u>	<u>95,102</u>	<u>95,102</u>
Total Cash & Certificates of Deposit	<u>\$ 506,894</u>	<u>\$ 345,762</u>	<u>\$ 245,950</u>

Bank balance does not reflect deposits in transit or outstanding checks.

FDIC Regulation Number 330.8, provides that deposits of a governmental unit are insured for the lesser of the amount of the combined deposit or \$100,000, in every financial institution that is not a branch location and that is a member of FDIC in the following deposit accounts:

- (1) All demand, non-interest bearing accounts (checking), in the name of the authorized or statutory custodian (treasurer) of public funds.
- (2) All savings deposits, which include regular passbook, daily interest savings, and time certificates of deposit in the name of the governmental unit's custodian.

**OREGON TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2004**

NOTE 2 – CASH AND EQUIVALENTS AND INVESTMENTS (Continued)

INVESTMENTS

The Governmental Accounting Standards Board of the Financial Accounting Foundation Statement 3, includes the requirement that a government entity's investments be classified into three categories of credit risk. The categories are:

- (1) Insured or registered securities held by the government entity of its agent in the entity's name;
- (2) Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the entity's name; and
- (3) Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the entity's name.

The Township has no investments that fall under the above-mentioned categories.

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2004, was as follows:

	Balance 7-01-03	Additions	Deletions	Balance 6-30-04
Capital Assets Not Being Depreciated				
Land	\$ 11,000	\$ -	\$ -	\$ 11,000
Total Capital Assets Not Being Depreciated	11,000	-	-	11,000
Capital Assets Being Depreciated				
Land Improvements	115,404	-	786	114,618
Building and Improvements	308,181	-	21,162	287,019
Equipment	176,825	18,105	134,182	60,748
Total Capital Assets Being Depreciated	600,410	18,105	156,130	462,385
Less Accumulated Depreciation for				
Land Improvements	65,650	6,240	-	71,890
Building and Improvements	95,784	6,279	-	102,063
Equipment	51,902	9,227	26,114	35,015
Total Accumulated Depreciation	213,336	21,746	26,114	208,968
Total Capital Assets Being Depreciated, Net	387,074	(3,641)	130,016	253,417
Total Government Assets, Net	\$ 398,074	\$ (3,641)	\$ 130,016	\$ 264,417

Depreciation expense was charged as direct expense to programs of the primary government as follows:

General Government	\$ 14,616
Public Safety	3,328
Cemetery	3,802
Total Depreciation Expense	<u>\$ 21,746</u>

**OREGON TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2004**

NOTE 4 – PROPERTY TAXES

The Township's property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The Township's 2003 tax is levied and collectible on December 1, 2003, and is recognized as revenue in the year ended June 30, 2004, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2003 taxable valuation of the Township totaled approximately \$152,154,768 on which taxes levied consisted of 1.5298 mills for operating purposes. This resulted in approximately \$232,000 for operating purposes. This amount was recognized in the General Fund financial statements as tax revenue.

NOTE 5 – INTERFUND TRANSACTIONS

Operating Transfers

Operating transfers constitute the transfer of resources from the fund that received the resources to the fund that utilized them. The interfund transfers are as follows:

<u>Fund</u>	<u>Operating Transfers In</u>	<u>Fund</u>	<u>Operating Transfers Out</u>
Special Revenue		General Fund	\$ 150,000
Cemetery Operating	\$ 25,175		
Public Improvement	125,000	Fiduciary Fund	
		Cemetery Perpetual Care	175
Total	<u>\$ 150,175</u>	Total	<u>\$ 150,175</u>

Interfund Receivables/Payables

The amount of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Fund</u>	<u>Interfund Payables</u>
General Fund	\$ 5,165	General Fund	\$ -
Special Revenue Fund		Special Revenue Fund	
Cemetery Operating	102	Cemetery Operating	5,165
		Fiduciary Fund	
		Cemetery Perpetual Care	102
Total	<u>\$ 5,267</u>	Total	<u>\$ 5,267</u>

NOTE 6 – PENSION PLAN

The Township makes annual contributions to the Manulife Financial Defined Contribution Plan for Governmental Employees for all eligible employees.

The Township contributed \$37,779 to the plan for the year ended June 30, 2004.

**OREGON TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2004**

NOTE 7 – CONTRACTS

A. LAW ENFORCEMENT CONTRACT

The Township has a contract with the Lapeer County Sheriff's Department for law enforcement services. The contract amount for January 1, 2003 through December 31, 2003 was \$50,509. the contract amount for January 1, 2004 through December 31, 2004 is \$52,347. Payments are to be made by the 5th day of each month.

The Township had a contract with the Lapeer County Sheriff's Department for additional policing from July 1, 2003 through December 31, 2003. The contract costs for the 6 months was \$11,288.

The Township had a contract with the Lapeer County Sheriff's Department for additional policing from January 1, 2004 through June 30, 2004. The contract costs for the 6 months was \$11,866.

B. FIRE DEPARTMENT CONTRACT

The Marathon Area Fire Authority was paid a standby fee of \$17,500 for the period January 1, 2003 through December 31, 2003, and a standby fee of \$17,500 for the period January 1, 2004 through December 31, 2004, for fire services. The Marathon Area Fire Authority also charges service fees for each fire run.

The City of Lapeer was paid \$50,471 for fire services, for the period July 1, 2003 through June 30, 2004.

The services fees are paid by Oregon Township when billed by the fire departments. The Township then bills the property owner who was provided the fire run service.

NOTE 8 – GENERAL LONG-TERM DEBT

The following is a summary of changes in Long-term Debt for the year ended June 30, 2004:

Special Assessment Bonds	Balance 7/01/03	Proceeds	Payments	Balance 6/30/04	Matures
No. R-5	\$ 15,000	\$ -	\$ 15,000	\$ -	3/01/04
No. R-6	15,000	-	-	15,000	3/01/05
	<u>\$ 30,000</u>	<u>\$ -</u>	<u>\$ 15,000</u>	<u>\$ 15,000</u>	

On August 10, 1999, the Township entered into a Bond Purchase Agreement with Tri-County Bank for the issuance of \$99,000 in 1999 Special Assessment Bonds. Each Bond carries an interest rate of 4.5%. Interest is payable each September 1 and March 1.

**OREGON TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003**

NOTE 8 – GENERAL LONG-TERM DEBT (Continued)

Principal and interest requirements for the next five years and beyond are summarized as follows:

Year	Principal	Interest	Total
2005	\$ 15,000	\$ 675	\$ 15,675
2006	-	-	-
2007	-	-	-
2008	-	-	-
2009	-	-	-
After 2010	-	-	-
	<u>\$ 15,000</u>	<u>\$ 675</u>	<u>\$ 15,675</u>

NOTE 9 – BUILDING DEPARTMENT

Statutory Authority

State Construction Code Act (Public Act 245 of 1999), requires that the legislative bodies of local government establish “reasonable fees” which “bare a reasonable relationship” to the cost of operating the enforcing agency. It also states that the use of fees generated under this section can only be used for the operation of the enforcing agency, the construction board of appeals, or both, and that the fees shall not be used for any other purpose.

The establishment of a separate fund is not mandatory if:

- (1) The fee structure of the local government is not intended to recover the full cost of the enforcing agency, and
- (2) The local government has the ability to track the full costs and revenues of the activity.

The following is a schedule of the revenues and costs of Oregon Township’s building department.

Revenue	\$ 19,341
Salaries	7,650
Life Insurance	34
Retirement	1,988
Supplies	159
Mileage	253
Miscellaneous	200
Overhead	3,996
Total Costs	<u>14,280</u>
Recovered Costs	5,061
Prior Unrecovered Costs	<u>(5,855)</u>
Net Unrecovered Costs	<u>\$ (794)</u>

**OREGON TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003**

NOTE 10 – COMMITMENTS

The Township entered into an agreement on April 11, 2000, with the Board of County Commissioners of the County of Lapeer, to pay \$1,463,582 for improving, maintaining, and repairing certain public roads within the Township. Payments made for year ended June 30, 2004 totaled \$156,054.

Future payments required under this agreement are as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2005	\$ 150,677
2006	145,243
2007	139,752
2008	134,203
2009	128,598
Thereafter	<u>240,150</u>
	<u><u>\$ 938,623</u></u>

NOTE 11 – RISK MANAGEMENT

The Township has exposure to risks of loss due to torts, errors and omissions, and property loss. The Township manages these risks by purchasing commercial insurance.

NOTE 12 – CONTINGENCIES

The Township is involved in a Circuit Court lawsuit relating to apartment and mobile home park zoning. In the opinion of the Township's attorney, there will be no financial liability to the Township. The defense is being provided by the Township insurance carrier.

The Township is also continuously involved in District Court ordinance enforcement actions. These District Court matters do not involve costs to the Township beyond prosecution expenses.

REQUIRED SUPPLEMENTAL INFORMATION

OREGON TOWNSHIP
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR YEAR ENDED JUNE 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
TAXES:				
Property Taxes	\$ 209,490	\$ 209,490	\$ 216,138	\$ 6,648
Special Assessments	9,000	9,000	9,495	495
Delinquent Property Tax	23,276	23,276	16,204	(7,072)
Collection Fees	36,000	36,000	38,272	2,272
TOTAL TAXES	277,766	277,766	280,109	2,343
LICENSES AND PERMITS:				
Building Permits	9,000	9,000	19,341	10,341
TOTAL LICENSES AND PERMITS	9,000	9,000	19,341	10,341
INTERGOVERNMENTAL:				
State Revenue Sharing	435,107	435,107	445,070	9,963
TOTAL INTERGOVERNMENTAL	435,107	435,107	445,070	9,963
CHARGES FOR SERVICES:				
Fire Run Fees and Fines	44,200	44,200	23,935	(20,265)
Special Meetings	8,000	8,000	8,500	500
TOTAL CHARGES FOR SERVICES	52,200	52,200	32,435	(19,765)
FINES AND FORFEITS:				
Fines and Forfeits	1,000	1,000	914	(86)
Penal Fines	1,800	1,800	1,354	(446)
TOTAL FINES AND FORFEITS	2,800	2,800	2,268	(532)
MISCELLANEOUS SOURCES:				
Land Divisions	3,000	3,000	2,925	(75)
Interest Earned	4,500	4,500	3,987	(513)
Township Hall Rental	2,500	2,500	3,925	1,425
Cable TV	11,000	11,000	12,627	1,627
Sale of Assets	2,408	2,408	4,595	2,187
Other Revenue	1,500	1,500	6,377	4,877
TOTAL MISCELLANEOUS SOURCES	24,908	24,908	34,436	9,528
TOTAL REVENUES	801,781	801,781	813,659	11,878

OREGON TOWNSHIP
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR YEAR ENDED JUNE 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
EXPENDITURES				
GENERAL GOVERNMENT				
TRUSTEE:				
Salary	\$ 10,350	\$ 10,350	\$ 10,350	\$ -
Per Diem	300	300	280	20
Employer - Medicare	200	200	154	46
Life Insurance	200	200	116	84
Retirement	2,588	2,588	2,588	-
Mileage	100	100	88	12
District Court	100	100	-	100
TOTAL TRUSTEE	<u>13,838</u>	<u>13,838</u>	<u>13,576</u>	<u>262</u>
SUPERVISOR:				
Salary	16,475	16,475	16,475	-
Employer - Medicare	300	300	239	61
Life Insurance	200	200	154	46
Elective Insurance	800	800	678	122
Retirement	4,119	4,119	4,119	-
Mileage	400	500	435	65
TOTAL SUPERVISOR	<u>22,294</u>	<u>22,394</u>	<u>22,100</u>	<u>294</u>
ELECTIONS:				
Salaries	-	-	-	-
Employer - Medicare	-	-	-	-
Employer - FICA	-	-	-	-
Printing and Publishing	-	-	448	(448)
TOTAL ELECTIONS	<u>-</u>	<u>-</u>	<u>448</u>	<u>(448)</u>
LEGAL AND ACCOUNTING	<u>20,000</u>	<u>20,000</u>	<u>11,428</u>	<u>8,572</u>
ASSESSING:				
Contract Services	<u>34,155</u>	<u>34,155</u>	<u>34,155</u>	<u>-</u>
TOTAL ASSESSING	<u>34,155</u>	<u>34,155</u>	<u>34,155</u>	<u>-</u>
CLERK				
Salary - Clerk	28,000	28,000	28,000	-
Salary - Deputy	25,480	25,102	25,102	-
Salary - Assistant	-	536	536	-
Employer - Medicare	1,000	778	778	-
Employer - FICA	-	50	33	17
Life Insurance - Clerk	50	50	46	4
Life Insurance - Deputy	50	21	18	3

OREGON TOWNSHIP
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR YEAR ENDED JUNE 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
EXPENDITURES (Continued)				
GENERAL GOVERNMENT (Continued)				
CLERK (Continued):				
Retirement - Clerk	\$ 7,000	\$ 7,000	\$ 7,000	\$ -
Retirement - Deputy	6,370	6,370	6,363	7
Elective Insurance	1,500	1,560	1,440	120
Mileage	900	900	764	136
TOTAL CLERK	<u>70,350</u>	<u>70,367</u>	<u>70,080</u>	<u>287</u>
BOARD OF REVIEW:				
Salary	2,000	2,000	1,755	245
Employer - Medicare	50	50	25	25
Employer - FICA	150	150	109	41
TOTAL BOARD OF REVIEW	<u>2,200</u>	<u>2,200</u>	<u>1,889</u>	<u>311</u>
TREASURER:				
Salary	28,000	28,000	28,000	-
Deputy Treasurer	9,000	9,712	9,712	-
Employer - Medicare	700	547	547	-
Employer - FICA	250	602	602	-
Life Insurance - Treasurer	200	154	154	-
Retirement - Treasurer	7,000	7,000	7,000	-
Mileage	1,000	960	960	-
TOTAL TREASURER	<u>46,150</u>	<u>46,975</u>	<u>46,975</u>	<u>-</u>
TOWNSHIP HALL:				
Salary	3,000	3,877	3,877	-
Employer - Medicare	100	100	56	44
Employer - FICA	200	250	240	10
Supplies	2,500	2,500	1,674	826
Insurance	4,000	6,000	5,596	404
Utilities	8,000	8,000	7,620	380
Street Lights	1,000	1,025	1,027	(2)
Maintenance	18,000	17,048	10,911	6,137
Building Addition	1,000	1,000	-	1,000
TOTAL TOWNSHIP HALL	<u>37,800</u>	<u>39,800</u>	<u>31,001</u>	<u>8,799</u>
OTHER GENERAL GOVERNMENT				
Salaries	17,836	18,580	18,580	-
Salaries - Recording	6,000	4,600	4,517	83
Employer - Medicare	500	500	336	164

OREGON TOWNSHIP
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR YEAR ENDED JUNE 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
EXPENDITURES (Continued)				
GENERAL GOVERNMENT (Continued)				
OTHER GENERAL GOVERNMENT (Continued)				
Employer - FICA	\$ 300	\$ 300	\$ 283	\$ 17
Life Insurance	150	150	104	46
Retirement	4,460	4,710	4,708	2
Insurance and Bonds	8,000	12,000	10,819	1,181
Elective Insurance	800	1,150	1,127	23
Office Supplies	9,000	12,150	12,341	(191)
Computers	6,000	14,600	13,151	1,449
Postage	9,000	9,000	4,963	4,037
Professional Service	8,000	8,900	8,890	10
Mileage	200	200	58	142
Transportation	2,000	4,400	4,400	-
Printing and Publishing	5,000	4,000	2,452	1,548
Miscellaneous	2,000	1,000	746	254
Retirement Administration	1,500	1,500	1,110	390
Dues	6,000	6,000	4,664	1,336
Education and Training	5,000	5,000	4,468	532
Conferences and Conventions	3,000	3,000	1,650	1,350
Disaster Relief	100	100	-	100
Land Improvement	500	500	-	500
Equipment	2,000	10,000	9,591	409
TOTAL OTHER GENERAL GOVERNMENT	97,346	122,340	108,958	13,382
TOTAL GENERAL GOVERNMENT	344,133	372,069	340,610	31,459
PUBLIC SAFETY				
POLICE:				
Contracted Services	77,000	77,000	73,970	3,030
Gas	3,500	3,500	2,623	877
Vehicle	3,000	-	-	-
TOTAL POLICE	83,500	80,500	76,593	3,907
FIRE:				
Fees	61,000	68,000	67,971	29
TOTAL FIRE	61,000	68,000	67,971	29
AMBULANCE:				
Fees	10,000	10,000	-	10,000
TOTAL AMBULANCE	10,000	10,000	-	10,000

OREGON TOWNSHIP
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR YEAR ENDED JUNE 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
EXPENDITURES (Continued)				
PUBLIC SAFETY (Continued)				
BUILDING INSPECTIONS:				
Salaries	\$ 6,000	\$ 7,650	\$ 7,650	\$ -
Salaries - Zoning	15,450	15,450	15,450	-
Life Insurance	150	110	104	6
Retirement	5,750	6,050	6,002	48
Supplies	300	500	480	20
Mileage	700	690	765	(75)
Miscellaneous	200	200	200	-
Dues	100	-	-	-
Education and Training	250	-	-	-
Conferences and Conventions	100	-	-	-
TOTAL BUILDING INSPECTIONS	<u>29,000</u>	<u>30,650</u>	<u>30,651</u>	<u>(1)</u>
PLANNING AND ZONING				
PLANNING:				
Salaries	6,500	7,000	6,255	745
Employer - Medicare	200	200	85	115
Employer - FICA	300	350	337	13
Contracted Services	10,000	9,450	8,400	1,050
Printing and Publishing	1,000	1,000	596	404
TOTAL PLANNING	<u>18,000</u>	<u>18,000</u>	<u>15,673</u>	<u>2,327</u>
BOARD OF ZONING APPEALS:				
Salaries	5,000	5,000	1,503	3,497
Employer - Medicare	100	100	22	78
Employer - FICA	200	200	86	114
Professional Services	500	500	-	500
Print and Publishing	500	500	-	500
TOTAL BOARD OF ZONING APPEALS	<u>6,300</u>	<u>6,300</u>	<u>1,611</u>	<u>4,689</u>
TOTAL PLANNING AND ZONING	<u>24,300</u>	<u>24,300</u>	<u>17,284</u>	<u>7,016</u>
TOTAL PUBLIC SAFETY	<u>207,800</u>	<u>213,450</u>	<u>192,499</u>	<u>20,951</u>
PUBLIC WORKS				
DRAINS AT LARGE	<u>5,000</u>	<u>5,000</u>	<u>2,394</u>	<u>2,606</u>

**OREGON TOWNSHIP
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR YEAR ENDED JUNE 30, 2004**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
EXPENDITURES (Continued)				
PUBLIC WORKS (Continued)				
ROADS AND BRIDGES:				
Roads	\$ 256,055	\$ 181,055	\$ 165,066	\$ 15,989
Bridges	1,000	1,000	-	1,000
TOTAL ROADS AND BRIDGES	<u>257,055</u>	<u>182,055</u>	<u>165,066</u>	<u>16,989</u>
TOTAL PUBLIC WORKS	<u>262,055</u>	<u>187,055</u>	<u>167,460</u>	<u>19,595</u>
CONTINGENCIES	<u>43,385</u>	<u>12,207</u>	<u>-</u>	<u>12,207</u>
DEBT SERVICE				
Principal Retirement	15,000	15,000	15,000	-
Interest	2,000	2,000	1,350	650
TOTAL DEBT SERVICE	<u>17,000</u>	<u>17,000</u>	<u>16,350</u>	<u>650</u>
TOTAL EXPENDITURES	<u>874,373</u>	<u>801,781</u>	<u>716,919</u>	<u>84,862</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(72,592)</u>	<u>-</u>	<u>96,740</u>	<u>96,740</u>
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	-	-	-	-
Operating Transfers Out	<u>(25,000)</u>	<u>(150,000)</u>	<u>(150,000)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(25,000)</u>	<u>(150,000)</u>	<u>(150,000)</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>(97,592)</u>	<u>(150,000)</u>	<u>(53,260)</u>	<u>96,740</u>
FUND BALANCE - JULY 1, 2003	<u>394,845</u>	<u>394,845</u>	<u>394,845</u>	<u>-</u>
FUND BALANCE - JUNE 30, 2004	<u>\$ 297,253</u>	<u>\$ 244,845</u>	<u>\$ 341,585</u>	<u>\$ 96,740</u>

**OREGON TOWNSHIP
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
CEMETERY OPERATING FUND
FOR YEAR ENDED JUNE 30, 2004**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Charges for Services	\$ 3,700	\$ 3,700	\$ 9,175	\$ 5,475
Interest	300	300	152	(148)
TOTAL REVENUES	4,000	4,000	9,327	5,327
EXPENDITURES	25,000	25,000	14,274	10,726
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(21,000)	(21,000)	(4,947)	16,053
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	25,300	25,300	25,175	(125)
Operating Transfers Out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	25,300	25,300	25,175	(125)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	4,300	4,300	20,228	15,928
FUND BALANCE - JULY 1, 2003	6,126	6,126	6,126	-
FUND BALANCE - JUNE 30, 2004	<u>\$ 10,426</u>	<u>\$ 10,426</u>	<u>\$ 26,354</u>	<u>\$ 15,928</u>

**OREGON TOWNSHIP
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
PUBLIC IMPROVEMENT FUND
FOR YEAR ENDED JUNE 30, 2004**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Interest	\$ -	\$ -	\$ 95	\$ 95
TOTAL REVENUES	-	-	95	95
EXPENDITURES	-	-	-	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	95	95
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	-	125,000	125,000	-
Operating Transfers Out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	125,000	125,000	-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	-	125,000	125,095	95
FUND BALANCE - JULY 1, 2003	-	-	-	-
FUND BALANCE - JUNE 30, 2004	<u>\$ -</u>	<u>\$ 125,000</u>	<u>\$ 125,095</u>	<u>\$ 95</u>

NOTES TO REQUIRED SUPPLEMENTAL INFORMATION

**OREGON TOWNSHIP
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
FOR YEAR ENDED JUNE 30, 2004**

BUDGETARY INFORMATION

The annual budget is prepared by the Township Supervisor and adopted by the Township Board; subsequent amendments are approved by the Township Board.

The budget has been prepared in accordance with generally accepted accounting principles for the General Fund and all Special Revenue Funds.

The budget has been adopted on a line item basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. Comparison of actual results of operations to the budgets of the General Fund and Major Special Revenue Funds, as adopted by the Township Board, are included in the Required Supplemental Information of the basic financial statements. A comparison of the actual results of operations to the Non-major Special Revenue Funds budgets, as adopted by the Township, is included the Other Supplemental Information section of the financial statements.

EXCESS OF EXPENDITURES OVER BUDGETED AMOUNTS

The Township had material expenditure budget overruns as follows:

<u>Fund and Activity</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
NONE FOUND			

OTHER SUPPLEMENTAL INFORMATION

**OREGON TOWNSHIP
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2004**

	Permanent Fund	
	Cemetery Trust Fund	Total Non-major Governmental Funds
ASSETS		
Cash in Bank:		
Savings Deposits	653	653
Investments	20,102	20,102
Accounts Receivable	-	-
	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 20,755</u>	<u>\$ 20,755</u>
LIABILITIES		
Due to Other Funds	\$ 102	\$ 102
	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u> 102</u>	<u> 102</u>
FUND EQUITY		
Fund Balance		
Unreserved - Undesignated	<u> 20,653</u>	<u> 20,653</u>
	<u> </u>	<u> </u>
TOTAL FUND EQUITY	<u> 20,653</u>	<u> 20,653</u>
	<u> </u>	<u> </u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 20,755</u>	<u>\$ 20,755</u>

**OREGON TOWNSHIP
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR YEAR ENDED JUNE 30, 2004**

	Permanent Fund	
	Cemetery Trust Fund	Total Non-major Governmental Funds
REVENUES		
Charges for Services	\$ -	\$ -
Interest	175	175
TOTAL REVENUES	175	175
EXPENDITURES		
Cemetery	-	-
TOTAL EXPENDITURES	-	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	175	175
OTHER FINANCING SOURCES (USES)		
Operating Transfers In	-	-
Operating Transfers Out	(175)	(175)
TOTAL OTHER FINANCING SOURCES (USES)	(175)	(175)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	-	-
FUND BALANCE - JULY 1, 2003	20,653	20,653
FUND BALANCE - JUNE 30, 2004	<u>\$ 20,653</u>	<u>\$ 20,653</u>

BROWN & KENT, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

951 S. MAIN STREET, SUITE #3

LAPEER, MICHIGAN 48446

(810) 664-4470

FAX (810) 664-3601

To the Board Members
Oregon Township
2525 Marathon Rd
Lapeer, MI 48446

Dear Board Members:

We have completed our audit of the basic financial statements for Oregon Township (the "Township"), for the year ended June 30, 2004. As a result of our audit, and in addition to our financial report, we offer the following comments and recommendations for your review and consideration. These items have been discussed with your administration.

Our Responsibility Under Generally Accepted Auditing Standards

As stated in our engagement letter dated August 16, 2004, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the basic financial statements are free of material misstatement and are fairly presented in accordance with generally accepted accounting principles. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Township are described in Note 1 to the basic financial statements. During the year ended June 30, 2004, the GASB Statement No. 34 reporting model was adopted. We noted no transactions entered into by the Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

New Reporting Model

Governmental Accounting Standards Board (GASB) Statement 34 is now here. You will notice a different look to the audited financial statements this year. Although there are many differences with this new reporting model the major additions were as follows:

- Management's Discussion and Analysis: Management is now required to give an overview of the Township's overall financial position and results of operations.

- Government-wide Financial Statements: The statements now adjust the traditional fund-based statements into a combined, full-accrual format. This allows a financial statement reader to see the Township's financial position from a current and longer-term perspective, including its capital assets and long-term debt.
- Budget Comparison: A financial statement reader will now be able to not only view the actual revenue and expenditures of the Township as compared to the current budget, but also as compared to the original adopted budget.
- Capital Assets and their related depreciation are now reported.

The GASB believes that this new model will provide a more complete picture of the financial position of the Township. We would be happy to schedule a time to provide a more detailed overview about this new reporting model, so that you can obtain the greatest user benefit from it.

Revenue Sharing

The Township has and will continue to feel the effects of the slow down in the State's economy. Because of slower than anticipated growth in the State's sales tax collections (the sole source of revenue sharing payments to local units of government), and the State's budget problems which have resulted in additional appropriation reductions to the revenue sharing line in the State's budget, revenue sharing payments for the State's last couple of years were less than originally projected.

With the major changes in revenue sharing occurring, we realize that the Township is regularly seeking information on projected future revenue sharing payments. To assist the Township in projecting state shared revenue payments, the Michigan Department of Treasury website is located at <http://treas-secure.state.mi.us/apps/findrevshareinfo.asp>.

Capital Assets

With GASB 34 now in place, it is more important than ever to keep accurate track of capitalized and inventoried assets. A computer database or index card system should be put in place to help you track and identify all assets that are to be inventoried or capitalized. We would also recommend the creation of new accounts in your chart of accounts, such as "101-299-728.1 – Computers – Capitalized," and record the assets to be capitalized to this sub-account. You could continue to budget one line item.

Surety Bonds

During the audit, it was discovered that the amount held in the Trust and Agency Fund's Surety Bond account as due to others had been overstated for several years. Upon your own review of this matter, it was discovered that amounts received for things not related to these bonds had been recorded here instead of as revenues in the General Fund. It was also found that tracking these bonds by project name was insufficient to accurately identify each bond's activity. The Township Clerk has already suggested a system of numbering these bonds and preparing a spreadsheet for each one as an improvement.

Reconciling Bank Accounts to the Computer System

The implementation of the procedure of reconciling the Township's bank accounts to the computer general ledger, as well as to the hand written check register on a monthly basis, was a major improvement in the Township's accounting system.

Budgeting

Per the Uniform Budgeting and Accounting Act (Act 2 of 1968), Section 16 of Section 141.436, a local unit shall pass a general appropriations act for all funds except trust or agency, internal service, enterprise, debt service or capital project funds for which the unit may pass a special appropriation act.

The Township has only adopted a general appropriations act for its General and Cemetery Operating Funds for the fiscal year 2004-2005.

Per the Uniform Budgeting and Accounting Act (Act 2 of 1968), Section 15 of Section 141.435, you cannot budget for a negative fund balance. There is a budgeted deficit in the General Fund for the 2004-2005 fiscal year of \$56,683 calculated as follows:

Fund Balance 6/30/04	\$ 341,585
Budgeted Revenues	815,892
Budgeted Expenditures	<u>(1,214,160)</u>
Budgeted Fund Balance 6/30/05	<u>\$ (56,683)</u>

We would like to thank the Board for the opportunity to serve as auditors for Oregon Township. We would be happy to answer any questions you have regarding the annual financial report, and would be pleased to discuss the above comments and recommendations at your convenience.

Brown & Kent, P.C.

Certified Public Accountants

August 16, 2004